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CENTRAL INTELLIGENCE AGENCY  
Office of Research and Reports  
12 December 1962

MEMORANDUM

SUBJECT: Significance of Recent Soviet Gold Sales

1. The abrupt occurrence of large Soviet gold sales in London beginning on 24 October led to speculation that they represented a Soviet response to unanticipated financial obligations resulting from the Cuban crisis. The size and timing of these sales, however, was consistent with the seasonal pattern generally characteristic of Soviet offerings since the entry of Soviet gold on a large scale in international bullion markets beginning in 1953. The Soviet "gold selling year" usually lasts from fall (generally October) to late spring. With the major exception of 1960, when the USSR withheld gold from international bullion markets apparently in anticipation of an increase in the U.S. gold price, this pattern has been generally followed.

2. For the most part, the USSR sells gold in international markets in anticipation of foreign exchange needs; i.e., to obtain foreign exchange to settle indebtedness for Soviet purchases. The volume of Soviet gold sales is generally a function of the success which the USSR has in selling commodities in international markets; that is, that portion of Soviet imports from the West which cannot be financed by commodity exports is paid for by sales of gold. Currently the USSR's balance of payments is subject to additional pressures because of the need to repay some of the medium-term credits which the Soviet Union has obtained from Western countries since 1959.

3. The Bank of England, which is the best source of current information concerning Soviet gold and international financial activities, reports Soviet gold sales to date of 75 metric tons (\$83 million) since 24 October of this year. Sales of this magnitude are

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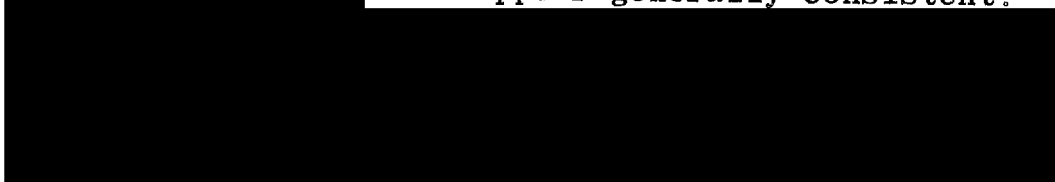
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not unusual. The USSR frequently sells its gold in large individual lots. For example in March 1961, when no international crisis was in evidence, sales during a one-week period amounted to approximately \$60 million. Similarly large lot sales occurred in other years, as in April 1959 when \$50-75 million worth was sold in a two-day period.

4. As shown in the accompanying table, annual Soviet gold sales since 1953 have averaged about \$185 million--an order of magnitude with which 1962 sales of \$192 million\* appear generally consistent.

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5. We have no evidence that the recent large volume of Soviet gold sales has been related to the Cuban crisis. Apparent additional Soviet chartering of Western vessels occasioned by Cuban trade in October, for example, would require only a few million dollars at the most. Nor is there any evidence that Soviet gold sales have been in any way related to Cuban economic needs.

6. An interesting trend in recent years is the increasing sophistication on the part of the USSR in the handling of its gold sales. A larger proportion of total gold sales is now negotiated for forward delivery and greater acuity is evident in the timing of delivery dates. Through experience Soviet representatives are learning how to maximize the net foreign exchange receipts from gold exports.

\*An unconfirmed report indicates the possibility of an additional \$53 million in Soviet gold sales in 1962.

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Soviet Gold Sales  
1953-1962

<u>Year</u>	<u>Million US\$</u>	<u>Year</u>	<u>Million US\$</u>
1953	150	1958	182
1954	93	1959	303
1955	70	1960	125
1956	154	1961	311
1957	275	1962	192*

\*Through 10 December.

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